

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 421 - HB 681

April 4, 2022

SUMMARY OF BILL AS AMENDED (016956): Authorizes Metro Nashville to impose an additional hotel privilege tax of up to one percent of the consideration charged by the operator. Requires proceeds from the additional privilege tax to be retained by the metropolitan government for the sports authority to pay debt service incurred through the construction of and capital improvements on an enclosed stadium with at least 50,000 seats. Authorizes an operator to keep two percent of the additional levied privilege tax in the form of a deduction. Establishes an eight percent interest rate on delinquent privilege taxes, in addition to a one percent increase each month the additional privilege taxes are delinquent.

FISCAL IMPACT OF BILL AS AMENDED:

**Increase Local Revenue – Exceeds \$10,000,000/FY22-23 and Subsequent Years/
Davidson County/Permissive**

Assumptions for the bill as amended:

- According to the 2022 Metro Nashville budget document, the estimated revenue from the 6 percent hotel occupancy privilege tax in FY21-22 is \$48,878,800. However, historical tax collections have been significantly higher in the past (ex. FY17-18 collections of \$69,700,000).
- Based on the FY21-22 budgetary estimate, historical tax collections, and current hotel occupancy rates approaching those of pre-pandemic levels, it is reasonably estimated that in FY22-23 and subsequent years hotel occupancy tax from the 6 percent tax will exceed \$60,000,000.
- For the purposes of this analysis, it is assumed that Metro Nashville will levy an additional privilege tax of one percent on hotel occupancy (or one-sixth of the current tax); therefore, the proposed legislation will result in a recurring permissive increase in local revenue to Davidson County exceeding \$10,000,000 ($\$60,000,000 / 6$) in FY22-23 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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